



# **CITY OF HAYWARD**

## **AGENDA REPORT**

AGENDA DATE 11/27/01

AGENDA ITEM 4

WORK SESSION ITEM \_\_\_\_\_

**TO:** Mayor and City Council

**FROM:** Finance and Internal Services Director

**SUBJECT:** Participation in Association of Bay Area Governments (ABAG) Financing Program

### **RECOMMENDATION:**

It is recommended that the City Council adopt the attached resolution authorizing participation in the Association of Bay Area Governments pooled financing program.

### **DISCUSSION:**

The current budget provides for lease-purchase procurement of four fire pumper engines, and a water tanker truck and crane truck for the Utilities division of Public Works. To finance acquisition of these vehicles, a stand-alone equipment lease-purchase would typically be used. However, given the low interest rates now prevailing, staff conducted a review of all outstanding debt obligations to determine if any existing debt might be suitable for refinancing. If so, then the new debt and refinanced debt could be combined to obtain the lowest costs of issuance and benefit from lower interest rates. As a result of staff's review several existing financing transactions, as discussed below, were identified as appropriate for refinancing.

In order to realize maximum savings staff is recommending use of the Association of Bay Area Governments (ABAG) pooled public finance program. Use of the pooled bond program offered by ABAG allows for reduced transaction costs and provides features attractive to potential purchasers of the bonds, further enhancing the cost savings to the City. The pool is structured such that each participant is responsible only for that portion of the entire transaction that relates to that particular agency, and is in no manner liable for the actions of the remaining participant. The City has participated in a number of previous ABAG pools with excellent results, and recommends this approach when circumstances favor its use.

The total amount of debt to be issued is approximately \$8 million. This consists of a new debt component of \$2.1 million and a refinancing component of \$5.9 million. With respect to new debt, staff estimates that interest rates will range from 1.85% to 3.7%. The total "new" debt issued will be approximately \$2.1 million and is for the Fire engines and Public Works vehicles discussed earlier.

The refinancing of existing debt will require approximately \$5.9 million. This financing will be structured to correspond with the maturity schedules of the existing debt so there will be no

extension of the existing debt obligation. Refinancing of the existing debt will result in a net present value saving of approximately \$440,000 over the life of the issue. Specifically the refinancing component is to refinance existing certificates of participation that provided for acquisition and improvement of the Utilities Center on Soto Road, \$1.6 million required and acquisition and construction of Fire Station #7, \$1.2 million required. In addition, existing capital leases which provided financing for the acquisition of the street lighting system, \$805,000 required, energy retrofit of City facilities, \$1.8 million required, and purchase of Public Works vehicles, \$540,000 required will be refinanced. Finally, in terms of payment schedules the Utilities Center and Fire Station #7 will be paid off in 2012 and 2020 respectively, which is the same as the current schedule. Of the existing leases, which are being refinanced, two will be paid off in 2008 and one in 2012, which again corresponds to the existing payment schedule.

If Council approves the financing then staff estimates that the bonds will price in mid-December and close late December 2001 or early January 2002.

The legal documents required to authorize and implement this transaction are on file with the City Clerk.

Prepared by:

Perry H. Carter, for

Ralph Costa, Treasury Manager

Recommended by:

Perry H. Carter

Perry H. Carter, Director of Finance and Internal Service

Approved by:

Jesús Armas  
Jesús Armas, City Manager

Attachments: Draft Resolution

**DRAFT**

HAYWARD CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

A RESOLUTION APPROVING FINANCING PROCEEDINGS  
TO FINANCE AND REFINANCE CAPITAL IMPROVEMENTS  
WITHIN THE GEOGRAPHIC BOUNDARIES OF THE CITY,  
APPROVING ISSUANCE OF REVENUE BONDS BY THE  
ASSOCIATION OF BAY AREA GOVERNMENTS FOR SUCH  
PURPOSE, AND APPROVING RELATED DOCUMENTS  
AND OFFICIAL ACTIONS

WHEREAS, the City has heretofore entered into a lease agreement, dated as of April 1, 1992 (the "1992 Lease"), with the ABAG Finance Corporation (the "Corporation"), to finance certain capital improvements within the geographic boundaries of the City (collectively, the "1992 Project"). relating to the \$8,225,000 ABAG Finance Corporation Certificates of Participation (ABAG XXIV)(the "1992 Certificates"), in which the City participated;

WHEREAS, the City has also heretofore entered into a lease agreement, dated as of December 1, 1994 (the "1994 Lease"), with the Corporation, to finance certain capital improvements within the geographic boundaries of the City (collectively, the "1994 Project"). relating to the \$1,205,000 ABAG Finance Corporation Certificates of Participation (ABAG 33, Series A)(the "1994 Certificates"), in which the City participated;

WHEREAS, the City has also heretofore entered into various agreements for the lease-purchase of fire apparatus and other vehicles (collectively, the "Apparatus and Vehicle Projects");

WHEREAS, the City is proceeding to refinance the 1992 Project, the 1994 Project and the Apparatus and Vehicle Projects and to finance certain new capital equipment (the "2001 Project"), and the City has proposed to implement a lease financing for the purpose of raising the funds therefore;

WHEREAS, for the purpose of obtaining the moneys required to refinance the 1992 Project, the 1994 Project and the Apparatus and Vehicle Projects and to finance the 2001 Project, the City proposes to lease one or more existing real property sites and the buildings thereon (collectively, the "Property"), to the Association of Bay Area Governments (the "Authority"), which has been formed, *inter alia*, for the purpose of assisting the City and other public entities in connection with their financing needs, and to lease the Property back

from the Authority, and the Authority proposes to issue its Association of Bay Area Governments Lease Revenue Bonds, 2001 Series B (the "Bonds"), which will be secured by rental payments made by the City under such lease and by rental payments to be made by certain other public entities under separate leases; and

WHEREAS, the Council approves all of said transactions in furtherance of the public purposes of the City, and wishes at this time to take its action approving the issuance and sale of the Bonds and the lease financing to be accomplished thereby;

NOW, THEREFORE BE IT RESOLVED by the City Council of the City of Hayward as follows:

Section 1. Approval of Bonds. The Council hereby approves the issuance of the Bonds by the Authority for the purpose, among others, of providing funds to enable the City to refinance the 1992 Project, the 1994 Project and the Apparatus and Vehicle Projects and to finance the 2001 Project.

Section 2. Approval of Financing Documents. The Council hereby approves each of the following agreements required to implement the financing described in this Resolution, in substantially the respective forms on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager or the Director of Finance, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions, so long as (a) the execution thereof results in net present value savings between the payments to be made by the City pursuant to the 1992 Lease and the 1994 Lease and the payments to be made by the City pursuant to the Lease Agreement (as hereinafter defined) which are allocable to the 1992 Project, the 1994 Project and the Apparatus and Vehicle Projects, and (b) the total principal amount of the Lease Agreement allocable to the 2001 Project does not exceed \$2,500,000, so long as the maximum annual lease payments to be paid by the City under the Lease Agreement allocable to the 2001 Project does not exceed \$275,000, and so long as the term of the Lease Agreement allocable to the 2001 Project does not exceed 25 years:

(a) a termination agreement, by and among the Corporation, the City and U.S. Bank Trust National Association, as trustee for the 1992 Certificates, providing for the termination of the legal documents relating to the 1992 Certificates;

(b) a termination agreement, by and among the Corporation, the City and U.S. Bank Trust National Association, as trustee for the 1994 Certificates, providing for the termination of the legal documents relating to the 1994 Certificates;

(c) a site and facility lease, by and between the City, as lessor, and the Authority, as lessee, relating to the lease of the Property by the City to the Authority;

(d) a lease agreement, by and between the Authority, as lessor, and the City, as lessee (the "Lease Agreement"), relating to the lease of the Property by the Authority back to the City;

(e) an escrow deposit and trust agreement, by and between the City and U.S. Bank Trust National Association, as escrow bank, relating to provision for the payment of the City's obligations under the 1992 Lease; and

(f) an escrow deposit and trust agreement, by and between the City and U.S. Bank Trust National Association, as escrow bank, relating to provision for the payment of the City's obligations under the 1994 Lease.

The City Manager or the Director of Finance is hereby authorized and directed for and in the name and on behalf of the City to execute, and the City Clerk is hereby authorized and directed to attest and affix the seal of the City to, the final form of each of the foregoing documents.

Section 3. Sale of Bonds by Authority; Letter of Representations. The Council hereby approves the negotiated sale of the Bonds to Sutro & Co. Incorporated (the "Underwriter") pursuant to the terms and conditions set forth in a bond purchase agreement, by and between the Underwriter and the Authority, substantially in the form on file with the City Clerk, together with any additions thereto or changes therein as may be deemed necessary or advisable by the City Manager or the Director of Finance, so long as the Underwriter's discount (exclusive of original issue discount which does not constitute compensation to the Underwriter) does not exceed 2%. The Bonds may be issued in a single series, or in multiple series which are issued by the Authority from time to time, as may be determined by the City Manager or the Director of Finance taking into account the financing needs of the City.

The Council hereby approves the Letter of Representations, in substantially the form on file with the City Clerk together with any changes therein or additions thereto deemed advisable by the City Manager or the Director of Finance, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

Section 4. Official Statement. The Council hereby approves, and hereby deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the preliminary official statement describing the Bonds (the "Preliminary Official Statement") in substantially the form on file with the City Clerk. The City Manager or the Director of Finance is hereby authorized to execute an appropriate certificate stating the Council's determination that the Preliminary Official Statement has been deemed nearly final within the meaning of such Rule. Distribution of the Preliminary Official Statement by the Underwriter in connection with the sale of the Bonds is hereby approved. The City Manager or the Director of Finance is hereby authorized and directed to approve any changes in or additions to a final form of official statement (the "Final Official Statement"). The Council hereby authorizes the distribution of the Final Official Statement by the Underwriter.

Section 5. Official Actions. The City Manager, the Director of Finance, the City Clerk and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 6. Effect. This Resolution shall take effect immediately.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:  
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward